

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 L-03 CIAE-00 INR-07 NSAE-00
TRSE-00 SS-15 NSC-05 SP-02 OPIC-03 /056 W
-----065759 122151Z /73

R 121315Z SEP 77
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 2005
USDOC WASHDC
INFO AMEMBASSY BONN
AMCONSUL DUSSELDORF
AMEMBASSY PARIS
AMCONSUL LENINGRAD

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E.O. 11652: N/A
TAGS: EEWT, GW, UR
SUBJECT: KLOECKNER OFFICIALS ASK SUPPORT FOR ALUMINUM CONTRACT

1. KLOECKNER INDUSTRIE-ANLAGEN GMBH DIRECTOR HANS W. SCHENK OF DUISBURG, ACCOMPANIED BY KHD INDUSTRIEANLAGEN AG HUMBOLDT WEDAG ENGINEER AND TWO OTHER KLOECKNER OFFICIALS, CALLED ON E/C COUNSELOR SEPTEMBER 7 TO ADVISE ABOUT CURRENT STATUS OF BID FOR SAYANSK ALUMINUM SMELTER CONTRACT AND TO ASK USG SUPPORT FOR BID, WHICH ALSO INCLUDES ALCOA. AT OUTSET SCHENK STATED THAT ONLY COMPETITOR FOR APPROXIMATELY ONE BILLION DM CONTRACT WAS FRENCH FIRM PUK; THEREFORE, HE HOPED THAT BOTH FRG AND US GOVERNMENTS WOULD STAND BEHIND THE KLOECKNER-HUMBOLDT WEDAG-ALCOA BID. ALCOA PORTION, HE SAID, WAS BOUT ONE-QUARTER OF THE TOTAL PACKAGE.

2. SPECIFIC PURPOSE OF SCHENK'S VISIT (HE SOUGHT FIRST TO CALL ON AMBASSADOR) WAS TO ASK THAT SAYANSK PROJECT BE PLACED ON AGENDA FOR BREZHNEV VISIT TO BONN. SCHENK, APPARENTLY IN ERROR, THOUGHT THAT THIS VISIT WOULD TAKE
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PLACE IN OCTOBER. HE SAID THAT IT WAS IMPORTANT SAYANSK BE RAISED. HE HAD JUST CALLED ON GERMAN EMBASSY ECONOMICS MINISTER STUELPNAGEL WITH SAME PLEA AND WITH REQUEST FOR ANY INFORMATION ON CURRENT SOVIET ATTITUDE TOWARDS KLOECKNER BID. STUELPNAGEL HAD NOT BEEN ABLE TO SHED ANY NEW LIGHT ON THIS, ACCORDING TO SCHENK. COUNSELOR TOOK NOTE OF SCHENK'S REQUEST BUT MADE NO COMMITMENT TO TAKE

ANY SPECIFIC ACTION (ON WHAT IS OBVIOUSLY PREDOMINANTLY GERMAN BUSINESS).

3. SCHENK STATED THAT KLOECKNER BID WAS SUPERIOR TO FRENCH COMPETITION IN EVERY RESPECT EXCEPT TERMS OF CREDIT AND WAS EQUAL EVEN IN THAT RESPECT. HE APPEARED TO SUSPECT THAT FRENCH FIRM MIGHT SOMEHOW ENJOY SOME POLITICAL PREFERENCE WHICH MIGHT OFFSET THE ECONOMIC/COMMERCIAL ADVANTAGES HIS OWN FIRM WAS OFFERING.

4. CONCERNING PROJECT, SCHENK SAID THAT BOTH COMMERCIAL AND TECHNICAL NEGOTIATIONS ARE WELL ADVANCED. THE ALUMINUM SMELTER IS TENTATIVELY SCHEDULED FOR START-UP OF THE FIRST OF FIVE PARTS, A GREEN CARBON PLANT, IN DECEMBER, 1979. THE NEXT TWO PARTS WOULD BE A BAKING FURNACE AND A ROLLING ROOM, WITH A POT LINE SCHEDULED FOR DECEMBER, 1981, AND FINALLY A GAS CLEANING PLANT IN 1983. THE MUMBOLDT WEDAG ENGINEER EXPLAINED, HOWEVER, THAT CONSTRUCTION OF THE FIRST ELEMENT, THE CARON PLANT, NORMALLY WOULD REQUIRE 30 MONTHS, SO THAT IT IS ALREADY SOMEWHAT BEHIND THE TARGET DATE.

5. SCHENK STATED THAT THE COST OF THE PROJECT WOULD BE REPAID IN ALUMINUM AND OTHER PRODUCTS. REPAYMENT OF CREDIT WOULD BE COMPLETED ELEVEN YEARS AFTER SIGNATURE OF THE CONTRACT AND EIGHT YEARS AFTER COMMISSIONING. ALMOST LIMITED OFFICIAL USE

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ALL OF THE ALUMINUM WOULD BE TAKEN BY ALCOA AND DELIVERED TO THE U.S.

6. ON SEPTEMBER 9, LOCAL KLOECKNER REPRESENTATIVE BACHMANN DELIVERED COPY OF MONTH-OLD LETTER FROM HIM TO STUELPNAGEL, REQUESTING THAT SAYANSK PROJECT BE ON AGENDA FOR BREZHNEV VISIT. BACHMANN ATTACHED SUMMARY OF PROJECT, GIVING FOLLOWING INFORMATION ON WHAT HE EMPHASIZED WAS BUSINESS CONFIDENTIAL BASIS: CAPACITY OF PLANT: 500,000 METRIC TONS/ANNUUM; PURCHASER: METALLURGIMPORT FTO FOR NON-FERROUS METAL MINISTRY ON BEHALF OF VAMI INSTITUTE, LENINGRAD. SCOPE: LICENSE, TECHNICAL DOCUMENTATION, ENGINEERING, EQUIPMENT, SPARE PARTS, SUPERVISION OF CONSTRUCTION AND COMMISSIONING, TECHNICAL SERVICES; BID PRICE: 1.2 BILLION DM (SIC); (NOTE: BACHMANN SUBSEQUENTLY CONFIRMED THIS AS ACTUAL ID, AS REPORTED IN HANDELSBLATT.) CREDIT TERMS: BANK-TO-BANK CREDIT BETWEEN THE SOVIET FOREIGN TRADE BANK AND A BANK CONSORTIUM LED BY THE DEUTSCHE BANK AG (DM PORTION) AND A BANK CONSORTIUM LED BY THE BANK OF AMERICA. THE SUMMARY INDICATES THAT A FURTHER AGREEMENT BETWEEN RAZNOIMPORT AND THE SELLERS ABOUT DELIVERIES OF ALUMINUM WILL BE NEGOTIATED.

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R 121315Z SEP 77
FM AMEMOASSY MOSCOW
TO SECSTATE WASHDC 2006
USDOC WASHDC
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7. DURING CONVERSATION WITH SCHENK, E/C COUNSELOR SAID THAT WE HAD HEARD VERY LITTLE LATELY ABOUT THIS PROJECT. HE EXPLAINED THAT WE OF COURSE GIVE SUPPORT AS APPROPRIATE TO AMERICAN FIRMS AND WOULD BE PARTICULARLY WATCHFUL IN VIEW OF SUBSTANTIAL (ROUGHLY \$100 MILLION) SHARE OF BID INVOLVING AN AMERICAN FIRM. ON EVENING OF SEPTEMBER 7, COUNSELOR INQUIRED OF MFT OFFICIAL IF LATTER HAD HEARD ANYTHING ABOUT CURRENT STATUS OF PROJECT. OFFICIAL MADE CUSTOMARY DEPRECATORY REMARK ABOUT US BID BEING "LATE" - WE DO NOT BELIEVE IT - BUT SAID THAT DECISION HAS NOT YET BEEN TAKEN. WE PASSED THIS NOT VERY HELPFUL COMMENT TO BACHMANN ON SEPTEMBER 9. BACHMANN REPORTED ONLY THAT SCHENK'S SEPT. 8 MEETING WITH FIRST DEPUTY MINISTER OF NON-FERROUS METALLURGY V.V. BOVODAY HAD GONE WELL.

8. ACTION REQUESTED: IF USDOC OR DEPARTMENT HAVE HAD ANY ADDITIONAL INFORMATION FROM ALCOA RECENTLY, WE WOULD APPRECIATE HEARING STATUS REPORT. IF THERE IS ANY NEWS FROM ALCOA, PLEASE ADVISE WHETHER WE WILL HAVE DISCRETIONARY AUTHORIZATION TO PASS IT ON TO KLOECKNER. WE REQUEST
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THAT WASHINGTON AGENCIES GIVE THIS INFORMATION SAME PRO-
TECTION AS IF IT HAD COME FROM AN AMERICAN FIRM.
WHILE WE OF COURSE PREFER TO USE U.S. FIRMS LAND MAJOR
CONTRACTS ALONE OR IN MAJOR PART, KLOECKNER HAS BEEN
VERY SUCCESSFUL ON SOVIET MARKET AND COULD PROVE TO BE
USEFUL PARTNER FOR U.S. COMPANIES SELLING HERE.
TOON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Current Classification: UNCLASSIFIED
Concepts: ALUMINUM, LOBBYING, CONTRACTS, PROPOSALS (BID)
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Sent Date: 12-Sep-1977 12:00:00 am
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Disposition Remarks:
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